



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS  
AUDIT EXAMINATION OF THE  
PULASKI COUNTY CLERK**

**Calendar Year 1999**

**EDWARD B. HATCHETT, JR.  
AUDITOR OF PUBLIC ACCOUNTS  
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**EXECUTIVE SUMMARY**  
**PULASKI COUNTY**  
**WILLARD HANSFORD, COUNTY CLERK**  
**CALENDAR YEAR 1999**  
**FEE AUDIT**

**Description of Office:**

The County Clerk has been charged with the responsibility of licensing all motor vehicles and boats, collecting sales and property taxes on the same, registering voters, tabulating election results, and recording all manner of deeds, real estate and chattel mortgages, as well as a myriad of other recordings. The County Clerk is also responsible for the collection of delinquent taxes and fees on delinquent tax bills received from the County Sheriff each year.

**Audit Results:**

The auditor has issued an unqualified opinion on the County Clerk's financial statements for calendar year 1999. An unqualified opinion is an opinion issued when the auditor, based on the audit work performed, believes the financial statements of the auditee are presented fairly in all material respects. There were two comments in the audit report.

- The County Clerk Should Require The Depository Institutions To Pledge Or Provide Additional Collateral Of \$910,398 And Enter Into Written Agreements To Protect Deposits
- The County Clerk Expended \$15,190 Without Obtaining Proper Bids

**Receipts and Disbursements:**

The financial statements of the County Clerk for calendar year 1999 reflect receipts and disbursements of \$11,937,619 and \$11,305,154, respectively. Approximately 95% of the County Clerk's receipts were from licenses and taxes.

**Excess Fees:**

The County Clerk paid excess fees of \$560,224 to the county. There is a refund of \$2,191 due to the County Clerk as a result of errors made on the delinquent tax reports for June, July, and December of 1999. As a result of these errors, the County Attorney was underpaid by \$3,567 and the Sheriff was overpaid by \$1,376.

**Information In The Financial Statement:**

The County Clerk received a local records microfilming grant from the Kentucky Department for Libraries and Archives. As of December 31, 1999, a total of \$30,302 of grant funds had been received, \$16,651 had been transferred to the grant fund from the fee account, and \$422 had been earned as interest on these funds. A total of \$46,993 had been expended from the grant account, leaving a balance of \$382 as of December 31, 1999.

The County Clerk expended \$20,842 from his 1999 fee account for office improvements that were completed in the 2000 calendar year. We have included these expenditures with the 1999 since excess fees are usually adequate to cover these disbursements.



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Edward B. Hatchett, Jr.  
Auditor of Public Accounts

To the People of Kentucky

Honorable Paul E. Patton, Governor

John P. McCarty, Secretary

Finance and Administration Cabinet

Mike Haydon, Secretary, Revenue Cabinet

Honorable Darrell BeShears, Pulaski County Judge/Executive

Honorable Willard Hansford, Pulaski County Clerk

Members of the Pulaski County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of receipts, disbursements, and excess fees of the County Clerk of Pulaski County, Kentucky, for the year ended December 31, 1999. This financial statement is the responsibility of the County Clerk. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Clerk's office is required to prepare the financial statement on a prescribed basis of accounting that demonstrates compliance with the cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than generally accepted accounting principles. This cash basis system does not require the maintenance of a general fixed asset group or general long-term debt group of accounts. Accordingly, the accompanying financial statement is not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

In our opinion the financial statement referred to above presents fairly, in all material respects, the receipts, disbursements, and excess fees of the County Clerk for the year ended December 31, 1999, in conformity with the basis of accounting described above.

To the People of Kentucky  
Honorable Paul E. Patton, Governor  
John P. McCarty, Secretary  
Finance and Administration Cabinet  
Mike Haydon, Secretary, Revenue Cabinet  
Honorable Darrell BeShears, Pulaski County Judge/Executive  
Honorable Willard Hansford, Pulaski County Clerk  
Members of the Pulaski County Fiscal Court

Based on the results of our audit, we have presented comments and recommendations, included herein, which discusses the following areas of noncompliance:

- The County Clerk Should Require The Depository Institutions To Pledge Or Provide Additional Collateral Of \$910,398 And Enter Into Written Agreements To Protect Deposits
- The County Clerk Expended \$15,190 Without Obtaining Proper Bids

In accordance with Government Auditing Standards, we have also issued a report dated September 27, 2000, on our consideration of the County Clerk's compliance with certain laws and regulations and internal control over financial reporting.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a stylized flourish at the end.

Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Audit fieldwork completed -  
September 27, 2000

PULASKI COUNTY  
WILLARD HANSFORD, COUNTY CLERK  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES

Calendar Year 1999

Receipts

State Fees For Services	\$	29,487
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Fiscal Court		21,721
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Licenses and Taxes:

Motor Vehicle-

Licenses and Transfers	\$	1,574,625
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Usage Tax		6,368,429
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Tangible Personal Property Tax		3,030,615
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Licenses-

Fish and Game		7,950
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Marriage		21,770
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Occupational		2,407
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Transient Merchant		100
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Entertainment Permits		125
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Deed Transfer Tax		143,125
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Delinquent Tax		275,476
		11,424,622

Fees Collected for Services:

Recordings-

Deeds, Easements, and Contracts	\$	56,088
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Real Estate Mortgages		91,338
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Chattel Mortgages and Financing Statements		197,832
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Powers of Attorney		40,890
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All Other Recordings		20,635
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Charges for Other Services-

Copywork		13,997
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Bill of Sales		15,825
		436,605

Other:

Prior Year Returned Checks Collected	\$	136
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Miscellaneous		8,420
		8,556

Interest Earned		16,628
		16,628

Gross Receipts (Carried Forward)	\$	11,937,619
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PULASKI COUNTY  
 WILLARD HANSFORD, COUNTY CLERK  
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES  
 Calendar Year 1999  
 (Continued)

Gross Receipts (Brought Forward) \$ 11,937,619

Disbursements

Payments to State:

Motor Vehicle-

Licenses and Transfers	\$ 1,141,883	
Usage Tax	6,175,266	
Tangible Personal Property Tax	1,184,301	

Licenses-

Fish and Game	7,680	
Delinquent Tax	56,491	
Legal Process Tax	63,644	\$ 8,629,265

Payments to Fiscal Court:

Tangible Personal Property Tax	\$ 194,700	
Delinquent Tax	21,059	
Deed Transfer Tax	135,970	
Occupational Licenses	1,418	353,147

Payments to Other Districts:

Tangible Personal Property Tax	\$ 1,530,139	
Delinquent Tax	113,346	1,643,485

Payments to Sheriff 9,606

Payments to County Attorney 44,076

Operating Disbursements and Capital Outlay:

Personnel Services-

Deputies Salaries	\$ 444,476
Part-Time Salaries	28,818

Contracted Services-

Computer Indexing	39,514
Advertising	414
Preparing Tax Bills	9,595

PULASKI COUNTY  
WILLARD HANSFORD, COUNTY CLERK  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES  
Calendar Year 1999  
(Continued)

Disbursements (Continued)

Operating Disbursements and Capital Outlay:  
(Continued)

Materials and Supplies-			
Office Supplies	\$	38,823	
Other Charges-			
Dues		500	
Conventions and Travel		4,008	
Election Expenses		1,882	
Bonds		1,576	
Unemployment Insurance		966	
Worker's Compensation Insurance		1,245	
Telephone		5,238	
Postage		13,153	
Maintenance and Repairs		1,158	
Office Improvements and Repairs		20,842	
Uncollected Returned Checks		548	
Capital Outlay-			
Office Equipment		4,957	
Debt Service:			
Lease Purchases		<u>7,862</u>	<u>\$ 625,575</u>
Total Disbursements			<u>\$ 11,305,154</u>
Net Receipts			\$ 632,465
Less: Statutory Maximum			<u>70,144</u>
Excess Fees			\$ 562,321
Less: Expense Allowance	\$	3,600	
County Clerk's Training Incentive		<u>688</u>	<u>4,288</u>
Excess Fees Due County for Calendar Year 1999			\$ 558,033
Payments to County Treasurer - March 20, 2000			<u>560,224</u>
Refund Due County Clerk (Note 7)			<u><u>\$ (2,191)</u></u>

The accompanying notes are an integral part of the financial statement.

PULASKI COUNTY  
NOTES TO FINANCIAL STATEMENT

December 31, 1999

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

The financial statement has been prepared on a cash basis of accounting pursuant to KRS 68.210 as recommended by the State Local Finance Officer. Revenues and related assets are generally recognized when received rather than when earned. Certain expenses are recognized when paid rather than when a liability is incurred, including capital asset purchases. Certain other expenses are recognized when a revenue and the related asset can be associated with a corresponding liability due another governmental entity.

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Clerk's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system that covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 7.28 percent.

PULASKI COUNTY  
 NOTES TO FINANCIAL STATEMENT  
 December 31, 1999  
 (Continued)

Note 2. Employee Retirement System (Continued)

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement Systems' annual financial report which is a matter of public record.

Note 3. Deposits

The County Clerk maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the County Clerk and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. As of December 31, 1999, the bank balances were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the County Clerk's agent in the County Clerk's name or provided surety bond, which named the County Clerk as beneficiary/obligee on the bond. However, as of April 12, 1999, the collateral and FDIC insurance together did not equal or exceed the amount on deposit, leaving \$910,398 of public funds uninsured and unsecured. In addition, the County Clerk did not have a written agreement with one of the depository institutions until September 10, 1999 securing the Clerk's interest in the collateral.

The county official's deposits are categorized below to give an indication of the level of risk assumed by the county official as of April 12, 1999.

	<u>Bank Balance</u>
Collateralized with securities held by pledging depository institution in the county official's name	\$ 468,469
Uncollateralized and uninsured	<u>910,398</u>
Total	<u><u>\$ 1,378,867</u></u>

PULASKI COUNTY  
NOTES TO FINANCIAL STATEMENT  
December 31, 1999  
(Continued)

Note 4. Grant

The County Clerk was awarded a local records microfilming grant from the Kentucky Department for Libraries and Archives in the amount of \$30,302. As of January 1, 1999, there was a balance of \$1,057 remaining in the grant account. During the year ended December 31, 1999, the County Clerk transferred \$16,651 from his fee account to the grant account and earned interest on the bank account totaling \$150. The Clerk expended \$17,466 for microfilming and incurred bank charges totaling \$10. As of December 31, 1999, there was a balance of \$382 remaining in the account.

Note 5. Term Rental Agreement

The office of the County Clerk is committed to a term rental agreement for a copy machine. The rental agreement requires a monthly payment of \$153 for 48 months and to be completed on December 29, 2002. The total balance of the agreement was \$5,508 as of December 31, 1999.

Note 6. Lease

The office of the County Clerk is committed to a lease agreement for postage equipment. The agreement requires a monthly payment of \$339 for 54 months and to be completed on June 20, 2004. The total balance of the agreement was \$18,306 as of December 31, 1999.

Note 7. Delinquent Tax Errors

The County Clerk used incorrect amounts to compute the total commissions due to the County Attorney on delinquent tax collections for July of 1999. For the month of July 1999, the County Clerk's commission was used to compute the amount due instead of the County Attorney's commission. In addition, mailing fees totaling \$13 were not paid to the County Attorney for the June and July delinquent tax collections. As a result of these errors, an additional \$3,567 is due to the County Attorney for 1999 delinquent tax collections.

Incorrect amounts were also used to compute the amount due to the Sheriff for the month of December 1999. Instead of using the Sheriff's fees from the delinquent tax reports, the amounts calculated for interest were used to determine the amounts due the Sheriff for December 1999 delinquent tax collections. As a result of these errors, the Sheriff was overpaid \$1,376.

Since these incorrect amounts were used in the computation of excess fees due and paid to the county, the excess fees were overpaid by \$2,191. This amount is therefore due as a refund to the County Clerk from the fiscal court.

PULASKI COUNTY  
NOTES TO FINANCIAL STATEMENT  
December 31, 1999  
(Continued)

Note 8. Calendar Year 2000 Expenditures Paid From The 1999 Account

The County Clerk expended \$20,842 from his 1999 fee account for office improvements. Although the checks for these expenditures were dated December 31, 1999, the invoices for these expenditures were dated for the 2000 calendar year. These expenditures were as follows: \$4,927 was expended for wallpaper and carpet in the clerk's office, with invoices dated January 4, 2000 and January 25, 2000; \$725 was expended for painting in the clerk's office, with the invoice dated January 3, 2000; and \$15,190 expended for oak counters in the clerk's office, with the invoice dated April 4, 2000. Based on invoice dates, these expenditures should have been paid from calendar year 2000 fees; thus, increasing the excess fees for calendar year 1999 by \$20,842. However, since the excess fees of the Clerk's office for calendar year 1999 were \$558,033 and the County Clerk usually has sufficient excess fees to cover these expenditures, we will leave these expenditures on the calendar year 1999 financial statements.

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## COMMENTS AND RECOMMENDATIONS



PULASKI COUNTY  
WILLARD HANSFORD, COUNTY CLERK  
COMMENTS AND RECOMMENDATIONS

Calendar Year 1999

STATE LAWS AND REGULATIONS:

- 1) The County Clerk Should Require The Depository Institutions To Pledge Or Provide Additional Collateral And Enter Into A Written Agreement To Protect Deposits

On April 12, 1999, \$910,398 of the County Clerk's deposits of public funds were uninsured and unsecured, and there was no written agreement between the County Clerk and the depository institutions, signed by both parties, securing the Clerk's interest in the collateral. According to KRS 66.480(1)(d) and KRS 41.240(4), financial institutions maintaining deposits of public funds are required to pledge securities or provide surety bonds as collateral to secure these deposits, if the amounts on deposit exceed the \$100,000 amount of insurance coverage provided by the Federal Deposit Insurance Corporation (FDIC). The County Clerk should require the depository institution to pledge or provide collateral in an amount sufficient to secure deposits of public funds at all times. We also recommend the County Clerk enter into a written agreement with all depository institutions to secure the County Clerk's interest in the collateral pledged or provided by the depository institutions. According to federal law, 12 U.S.C.A. § 1823(e), this agreement, in order to be recognized as valid by the FDIC, should be (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. The County Clerk secured a written agreement with the depository institution on September 10, 1999.

*County Clerk's Response:*

*Will get pledges starting January 1<sup>st</sup> of each year.*

- 2) The County Clerk Expended \$15,190 Without Obtaining Proper Bids

The County Clerk expended \$15,190 for the construction of oak counters for the clerk's office without advertising for bids. KRS 424.260 states that no city, county, or district, or sheriff or county clerk may make a contract, lease, or other agreement for materials, supplies except perishable meat, fish, and vegetables, equipment, or for contractual services other than professional, involving an expenditure of more than \$10,000 dollars without first making newspaper advertisement for bids. We recommend that the County Clerk comply with this statute by properly advertising for bids in the future.

*County Clerk's Response:*

*Did get quotes or opportunity to offer quotes from all that would participate.*

PULASKI COUNTY  
WILLARD HANSFORD, COUNTY CLERK  
COMMENTS AND RECOMMENDATIONS  
Calendar Year 1999  
(Continued)

PRIOR YEAR FINDINGS:

In the prior year, it was reported that the County Clerk's deposits were not secured by \$882,862 and that the County Clerk did not have a written agreement with one of the depository institutions. For the 1999 calendar year, deposits were still unsecured and the clerk and the County Clerk did not obtain a written agreement with one of the depository institutions until September 10, 1999. These findings are commented on in the current year audit report.

REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS





## Edward B. Hatchett, Jr. Auditor of Public Accounts

Honorable Darrell BeShears, Pulaski County Judge/Executive  
Honorable Willard Hansford, Pulaski County Clerk  
Members of the Pulaski County Fiscal Court

### Report On Compliance And On Internal Control Over Financial Reporting Based On An Audit Of The Financial Statement Performed In Accordance With Government Auditing Standards

We have audited the Pulaski County Clerk as of December 31, 1999, and have issued our report thereon dated September 27, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

#### Compliance

As part of obtaining reasonable assurance about whether the Pulaski County Clerk's financial statement as of December 31, 1999, is free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under Government Auditing Standards which are described in the accompanying Comments and Recommendations.

- The County Clerk Expended \$15,190 Without Obtaining Proper Bids

#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Pulaski County Clerk's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statement.

Honorable Darrell BeShears, Pulaski County Judge/Executive  
Honorable Willard Hansford, Pulaski County Clerk  
Members of the Pulaski County Fiscal Court  
Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards  
(Continued)

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party. However, this report, upon release by the Auditor of Public Accounts, is a matter of public record and its distribution is not limited.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Audit fieldwork completed -  
September 27, 2000

